Chinese Workers Optimistic about Future Incomes.

What will happen to the auto market in China?

Robotic Technology Increases Efficiency in Auto Plants.

What will happen to the auto market?

Gas Prices on the Rise.

What do you predict will happen to the market for autos that use a lot of gas per mile?

Car dealers offer price rebates to sell excess inventory.

What will happen to the auto market?

Factory explosion shuts down auto maker.

What will happen to the auto market?

Steel prices continue to rise.

What will happen to the auto market?

Americans Love New Pickup Trucks.

What will happen to the market for trucks?

Sports utility vehicles offer higher profit margin.

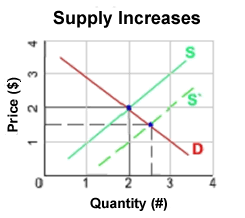
What will happen to the market for regular cars?

In October 1908, the first Model T Fords were sold for $950. As Henry Ford found new ways to reduce production costs, he passed the savings on to consumers as lower prices. By 1912, the car was selling for $575. It was the first time that a new car had sold for less than the average wage of U.S. workers. The price of the Model T would continue to drop during its 19 years in production, at one point dipping as low as $280. With each price cut, more and more consumers could afford to buy the cars.

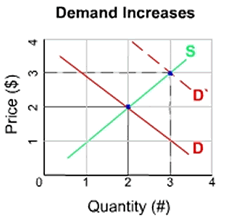
This reduction in price meant that the Ford Motor Company had smaller profit margins (on each Model T), but its revenue stayed the same. How was that possible? In 1909 the profit on a car was $220. By 1914, the margin had dropped to $99. But sales were exploding. While profit margins on individual cars were smaller, the added sales volume increased total profits. During this period, the company’s net income rose from $3 million to $25 million. Its U.S. market share rose from 9.4 percent in 1908 to a remarkable 48 percent in 1914.

**The Changing Market for Automobiles**

Henry Ford permanently changed the auto industry. To remain competitive, other automakers had to adopt his innovations in mass production.



Increased productivity made it possible for automakers to increase the number of automobiles they were willing and able to sell at different prices. The supply curve in the auto market shifted right.



Up to this point, the lesson had focused primarily on mass production, but mass consumption was just as important to Henry Ford. His $5 day forced other employers in the auto industry and other industries to follow his lead to attract and keep workers. As a result, wages for many U.S. workers increased.  
The increase in wages increased consumer demand for automobiles. The demand curve shifted right as more consumers were willing and able to buy cars.  
Fast forward to the automobile market today. Supply and demand for motor vehicles continues to shift. Read the following newspaper headlines and decide whether each event will have an impact on the market supply or demand for cars. If there is likely to be a change, specify whether it will be an increase or decrease.

By the time Henry Ford halted production of the Model T in 1927, more than 15 million cars had been sold, half the world's output of automobiles. His innovations in the auto industry completely transformed life in the 20th century. Manufacturing productivity soared as other industries adopted his approach to mass production. Wage increases allowed workers to buy goods that were formerly considered luxuries. Volume selling at low prices proved to be a profitable strategy.

1. If this is the case, why is Henry Ford such an important figure in our history books?
2. How did workers benefit from the transition to mass production?
3. How did consumers benefit from mass production?
4. How did producers like Henry Ford benefit from mass production?
5. Are there any costs, or negatives, that come with mass production?